

**Proposed Shared Services Arrangement for Pension Administration  
Report of the County Treasurer**

**Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect**

**Recommendations:**

**It is recommended that:-**

- (i) that Members approve the proposed shared service arrangement for Pension Administration Services with Somerset County Council.**

**1. Introduction**

- 1.1. In November 2011, the Devon County Treasurer was contacted by the Chief Finance officer of Somerset County Council to explore the possibility of one manager heading up the Pensions Administration teams of both Authorities. Their Head of Pensions Administration was due to retire and they were keen to use expertise from a nearby Authority to use management knowledge on an efficient basis.
- 1.2. Discussions took place between the two Authorities but Devon took the view that it had little to gain from just sharing one managerial post and that worthwhile benefits would only accrue if there was a full shared services arrangement between the two Authorities. Talks continued along these lines and a progress report was taken to the Investment and Pension Fund Committee in May 2012.
- 1.3. Since then the project has moved on and this report is seeking formal approval for the Shared Services arrangement which will see staff transferring from their employment from Somerset County Council to Devon County Council.

**2. The Current Arrangements**

- 2.1 At present, the Devon Pensions Administration team comprises 37 full-time equivalent posts and Somerset's Team consists of 14.4 full-time equivalent posts. At 31st March 2012, Devon's scheme paid 25,854 pensioners and comprised 35,287 scheme members. Somerset's relative figures were 12,301 pensioners and 19,505 scheme members. In very broad terms, the relative pension administration operation is 70:30, in respect of Devon and Somerset. Both teams currently use the same pension administration system, Axise and both are considering system upgrades.
- 2.2 In reviewing the proposed shared service, a prime consideration has been Government's promotion of collaborative approaches. As funding streams to local government reduce, it is essential to identify more efficient and cost-effective ways of providing services, in both front and back-office functions.
- 2.3 Although Pension Fund administration costs are not a direct charge on the County Council and employer budgets, they do have some impact on the employer

contribution rates which are assessed by the Actuary every three years. Any savings will therefore help to slightly reduce employer contributions, at the margins, in future years.

### **3. The Proposed Arrangements**

3.1 It is proposed that a single pension administration team will be formed, comprising staff from both Authorities. As Devon County Council is the employing organisation of the larger team, it is proposed that Somerset staff TUPE transfer to Devon at a date to be agreed via consultation with Unions and staff representing each Authority.

3.2 From an operational perspective, it will be recommended that the team is located together in one office. Savings will also be secured from the single investment in system upgrades to Altair.

3.3 The benefits of the shared team proposal are:-

- Creation of regional centre of excellence for pensions administration
- Cost savings as identified
- Central point of contact for Members, Employers and Pensioners
- Consistent work process for a large area of the south west pension administration base
- Improved career structure for team members
- Reduction of duplication in specialised work areas such as pension administration system, project, communication and legislation interpretation

3.4 Consultation with Unions and staff members of each team has commenced. This will conclude during the early part of 2013 and subject to comments through this process, the TUPE transfer of staff will take place during the first three months of the new year. Further consultation will take place in terms of proposed structure, team location and human resource issues such as appointment processes to post. The driving rationale through the final phase will be to offer staff job security rather than job opportunity and it is important to note that the proposal does not result in any loss of posts from current structures. The team is planned to become fully operational by mid Summer, with all officers using a single system and working towards being located in a single office.

3.5 A risk assessment of the proposal has been undertaken and there are no significant items noted.

### **4. Sustainability Considerations**

4.1 The recommendations contained in this report have no direct sustainability implications.

### **5. Carbon Impact Considerations**

5.1 The recommendations contained in this report have no direct carbon impact implications.

### **6. Equality Considerations**

6.1 An equality impact assessment has been undertaken and no issues of concern identified.

## **7. Legal Considerations**

7.1 Section 101(5) of the Local Government Act 1972 provides that two or more local authorities may discharge any of their functions jointly and, where arrangements are in force, for them to do so.

## **8. Risk Management Considerations**

8.1 A risk register to inform the project process has been maintained. The main risks identified include disruption to service delivery, staff / unions reaction to proposals and the required support for ICT resources. However, planning and application of due process and policies will minimise the potential adverse impact in these areas.

## **9. Public Health Impact**

9.1 The recommendations contained in this report have no public health impact implications.

## **10. Reason for Recommendation**

10.1 This report recommends a full shared service arrangement with Somerset County Council. Once the immediate period of forming the team is bridged, it is anticipated that there will be no change in outputs for Devon scheme members, employers and pensioners. The overall benefits are outlined in paragraph 3.3. In addition, the proposed approach is wholly consistent with Government thinking, places the pension's administration in a strong strategic position within the South West region as a centre of excellence and represents a pragmatic approach to cost efficiencies and maximising scarce staff resources.

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Electoral Divisions: All

Cabinet Member: Councillor John Clatworthy

Local Government Act 1972: List of Background Papers

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Background Paper Date File Ref: Nil